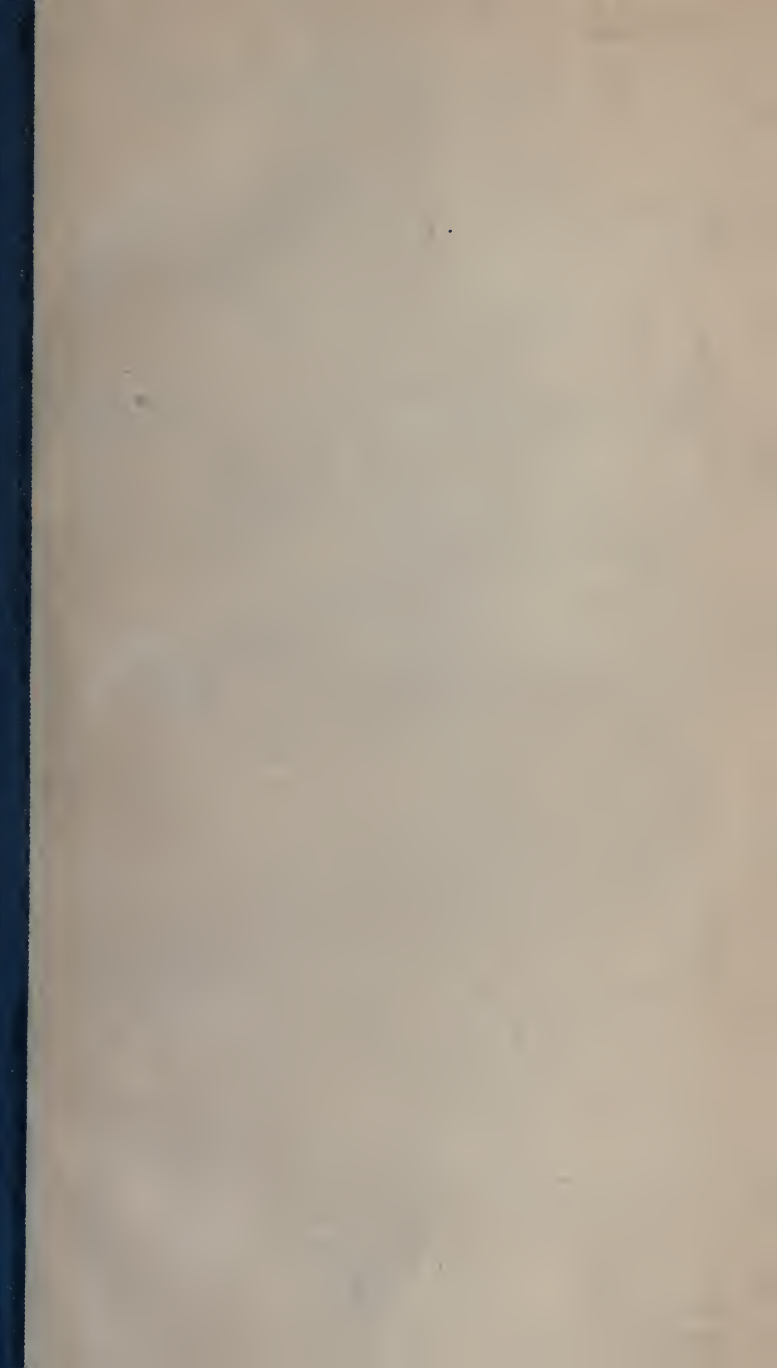


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Alison, (Sir) Archibald

Currency laws.







# THE CURRENCY LAWS:

## THEIR EFFECT ON THE PROFITS OF TRADE AND WAGES OF LABOUR.

By SIR A. ALISON, BART.

[REVISED AND CORRECTED BY HIMSELF.]

At the request of the COUNCIL OF UNITED TRADES, GLASGOW, Sir A. ALISON delivered the following Lecture, on the above subject, in the City Hall on 15th March, 1859. The hall was crowded in every part, and the Lecture was throughout listened to with the deepest interest and attention. The greater portion of the audience consisted of working men. The platform was filled with the members of the Council of United Trades, and several other gentlemen, among whom were Montgomery Martin, Esq., John Crawford, Esq., A. Campbell, Esq., and several other earnest currency reformers.

Sir JOHN MAXWELL, Bart., who occupied the chair, said:—Indebted to your friend (the Sheriff) for the nomination to this chair, I have to thank you for the distinction of presiding over so important a meeting, and doing honour to his character and works. The parties who have called it have conferred a service of lasting importance on all who provide for the maintenance of the population and the power of the State. The welfare and influence of this empire depend more upon the profitable employment and character of the productive classes than upon any other portion of society. Our native land is smaller, and our climate inferior, to that of our neighbours; and it is to skill, energy, and love of independence, that our character and influence is mainly attributable. Although some of the artizans and mechanics are able to bear up against the pressure of excessive toil, many are victims of overwork and underpay, and of unwarrantable speculations. Low wages, and high taxes for the defence of the country, and interest of the national debt, with an insufficient supply of money, absorb or exhaust too much of the funds of employers and employed—of profits and labour. Whenever the proprietors of gold transport that article for foreign loans and railways, the Bank of England withdraws so much paper money, and thereby proportionally lessen the price of goods, and wages, and profits of those engaged in selling and making them. What the many lose, the few exporters of gold are supposed to gain; and the vast sums they leave to their heirs seems to support the supposition. Now, it is clear that the working-classes are not so circumstanced, for many cannot even support comfortably their families in life, nor leave any thing to their children. One who has plenty of gold, or funded property, or cash in the bank, can send gold out and not abridge his living; but a workman's wages are capital and income combined. How can saving be made out of half wages, half days' work, but by diminishing his daily bread, and fuel, and clothing. The means for kirk sittings and schoolmasters' fees can never be provided for, nor rent be paid—his clothing pawned, his furniture sold, his house is taken from him, and with it his home, his loyalty, and his independence pass away. Such are the effects of scarcity of price, scarcity of work, scarcity of wages—all caused by scarcity of money, and all the results of ignorance of those who suffer from them. Plenty used

to be the object of statesmen in former times, and to read their success in the eyes of their countrymen, who were many, well clothed, well fed, well warned, and well lodged, and well pleased with their rulers and their taxes. Now, scarcity of money and plenty of labour, scarcity of wages and plenty of bad goods, unwholesome meat and drugged beverages, and the triumphs of cheapness, are secured by placing the whole profits of industry in the hands of the gold-owners, Jew and Christian, enemy or friend, who can gain by a foreign loan and a mad domestic speculation. Why should the profits of trade and wages of a whole population be constantly underpaid that such speculators may be protected from losses they inflict upon others? It is your credulity that makes their power to sweep away your income, and become owners of the millions you ought to have retained. The money out of which your wages and the taxes of the State come and are circulated, ought to be un-reduced at all times by any speculation. Let the Jew, and foreigner, and speculating native pay for gold he needs, but do not let him carry your wages out of the market because a French or Russian loan is wanted. I have explained why I thought this meeting important, and my position a distinction; and I can only add to the reasons alleged the painful increase of places of punishment or reformation. In conclusion, let me add that, if even the obstruction to the export of gold could be accomplished—which making a sovereign pass for twenty-one instead of twenty shillings in our own country would accomplish—and such a moderate premium on its non-exportation would humanise our policy, and strengthen our institutions, and add security to the country. [He then introduced the hon. lecturer.]

Sir ARCHIBALD ALISON, who was received with three rounds of hearty applause, before commencing his discourse, invited those who were standing at the far end of the hall to come forward and occupy some of the reserved seats not filled. The eagerness with which they availed themselves of this privilege excited great laughter, and the audience testified their appreciation of the kindly feeling which prompted this act of courtesy on the part of the hon. Baronet by hearty applause. Sir Archibald then said—I respond with pleasure to the flattering invitation given me by the united trades of Glasgow to address them on the all-important subject of the currency. It is always agreeable to meet a vast assemblage such as I see before me on any occasion, when met not for the purposes of party, or anything that will cause division, but animated by one feeling—a desire to alleviate as much as possible the amount of human suffering, and to add to the amount of human happiness. (Great applause.) And, gentlemen, I see with peculiar pleasure that there is a large proportion of the working classes in this great assembly, for the question I am to discuss—the question which you have done me the honour to request that I should address you upon is, in a peculiar and emphatic manner, a question for the people, a question not of labour against capital—for labour without capital is the steam-engine without the coal or fire, but a question of labour, whether exerted on the part of the masses, or of the employer with his active industry, against the case of realised capital, which seeks often to make an unjust profit over both. A question of this sort is one that always must be of great importance in every manufacturing and commercial community; and I think I will show you before I am done, that it is one which has now acquired greater and colossal importance, in consequence of the great changes that have taken place of late years, in the establishing of a new system of trade, and the annexation of our Indian empire. This is a time above all others when the working classes in this and other great commercial and manufacturing towns should acquire clear and distinct ideas of what is the cause of their suffering, and where it is that alleviation is to be found, if they are, as I believe they are, on the verge of a large exten-



sion of political power—(cheers)—and their voice may soon come to have a preponderating influence in determining and guiding the future counsels of their country. (Cheers.) I am persuaded that the reason you have requested me to address you upon this subject is, that you think that, having been engaged for a long time in the study of cotemporary history, I am acquainted with facts connected with this subject, relating to our own and other countries, - which you would like to be laid before you in a brief form. (Cheers.) Impressed with that idea, I have come to the resolution to address you entirely *extempore*. I have nothing written whatever but the figures, which I shall give to you and to the gentlemen of the press. I feel that, in thus speaking *extempore*, I shall best answer the object in view; for I do not wish to address you as a professor addresses his students, or a clergyman his congregation, or as a political leader his adherents; but to converse with you as a friend does with his friends. (Great applause.) Before I begin to speak of this question, I shall tell you what the question we are met about is not, and then I shall tell you what it is. It is not, in the first place, a question of party, and I thank Heaven that it is not. It is not a question which either the Tories or the Whigs, the Conservatives or the Radicals, ever have taken up as a *cri de guerre*—a party cry. Protection to industry, protection to labour, has never yet been inscribed on the banners of any of these parties. The question I stand here to plead, is not one that ever has been one of party. It is one, I know well, in which a large section of the community feel the deepest interest; I need no further proof of that than the vast assemblage which I see before me. But it is not a question that has ever furnished a party cry. And I will tell you the reason. It is because the subject I am to speak of to-night is not one to elevate one party over another—to give one party the command of the country at the expense of another, but to elevate, improve, and bless all parties alike. (Applause.) Because it is so, it is neglected by all parties, because, with the usual selfishness of human nature, what is everybody's business is nobody's business, and what concerns the whole community, concerns no one party in particular. Further, this is not a question which can by any possibility be made interesting in the way of moving the feelings. It is interesting in the highest degree to those who can feel the force of intellect, to those to whose understanding argument can be directed. But it is not a question about which you can move the feelings; it is a question that depends on figures, on statistics, and anxious thought; no human genius can make it interesting to the feelings. Also, it is not a question that is easy. It requires, at the outset, a certain amount of thought. I will tell you when I come to the part of my argument that requires thought; but, in the meantime, I say that it does require thought, and that it is this that explains why we need never expect the whole community to be moved upon the subject, and an amount of public opinion brought to bear upon it which will tend to that satisfactory solution of the question, without which we can never be a happy and a prosperous community. I have told you, then; what the question is not. I now proceed to tell you what it is. It is a question on which depends the liberality, independence, and existence of the British empire. I tell you, and I stake my credit on it, that if the present system of the currency law continues, no amount of wisdom in your statesmen, no amount of valour in your soldiers, nor of prowess in your sailors, can prevent us from rapidly declining below our neighbours, and being ere long destroyed. I say that the liberty, independence, and the very existence of Great Britain depend upon a right adjustment of her currency laws; and I will demonstrate that, if I am not much mistaken, before you are half-an-hour older. It is a question also on which depends not only the independence, liberty, and existence of the British empire, but on which depends the remuneration of industry,

and the prosperity of every human being in the country. There is not a human being I now address, or who may read the report of this speech in the newspapers, from the Queen on the throne to the captive in the dungeon, whose fortunes in life, and the fortunes of their children's children, are not bound up with and essentially dependent upon the question we are now discussing. (Cheers.) I need not say that a question of that magnitude is one of universal interest. I cannot say that I will bring it powerfully home to your feelings, but I am sure the facts I have to state will sink into your minds, and awaken a train of thought in your bosoms which I trust will not be without fruit, and may conspire to bring about the object we all have in view, viz., that society in this country may present a uniform course of prosperity instead of occasional flashes of prosperity, only to render more painful and gloomy, and distressing, the reverses by which they are succeeded. The first observation I will make is this—that if we examine the state of the country, as it has been for the last forty years, all parties must be convinced that there is something essentially wrong in our social position. There is something which prevents the labour, talent, perseverance, energy, and industry of this vast community from giving us that vast national power, and that unbroken stream of social prosperity which we are entitled to look for from these the greatest blessings of God. My great object is to show you what that cause is, and in what way it is to be removed. The first remark I will make to you is, that since the year 1819, when the great change in our monetary laws took place, a double set of features may be observed in the country, apparently utterly inconsistent with each other, but which, nevertheless, are, both of them, perfectly established, and placed beyond all doubt. And it is for us to say how these opposite sets of facts are to be reconciled. In the first place I will give you the figures of the exports and imports, of the tonnage, and of the population of Great Britain in 1819, with the years preceding and following, and at the present time; and you will see in them a vast and prodigious increase,—an increase exhibiting all the appearance of the greatest amount of national strength and social prosperity. In 1818 the exports were £45,180,000, the imports £35,845,000, and the shipping tonnage 2,674,000. In 1819 the exports were £34,252,000, the imports £29,680,640, and the tonnage 2,666,000. In 1820 the exports were £35,569,000, the imports £31,515,000, and the tonnage 2,500,000. The population at this time was as nearly as possible 19,000,000. Now, there was the state of the country in 1819, when cash payments were resumed in the Bank; and I will now tell you what the state is for the three years preceding 1857. In 1854 the exports were £97,184,000, the imports £152,389,000, and the tonnage 7,899,000. In 1855 the exports were £95,688,000, the imports £143,542,000, and the tonnage 7,018,000. In 1856 the exports were £115,826,000, the imports £172,544,000, and the tonnage 8,241,664. In 1857 the exports were £122,066,000, the imports £187,844,000, and the tonnage 9,386,000. Now, just reflect on the figures I have given you. Here is a nation which since the year 1819—a period of 40 years—has increased one-half in population, with its exports more than tripled, its imports multiplied nearly five-fold, and its shipping increased three-fold. Every one will say, is not that an indication of the greatest prosperity? Is there in the whole annals of mankind a nation which, in so short a time, has made such progress? So far so well. But I will give you another set of figures, and you will judge whether national power and indications of social happiness have kept pace with this vast increase of national resources. The figures I am now to give, I venture to say, are the most astonishing and alarming ever yet given to a British assemblage. I could not have believed them, strongly as my own views pointed in the same direction, if they had not been given by the highest authority—that of Sir John



Pakington, in speaking on the state of the navy. In 1760, a hundred years ago, we had 113 ships of the line in commission; in 1783—the period of the American war—we had 126; in 1799, we had 120; and in 1809, we had 113. In 1812, there were 245 ships of the line in commission and ordinary, and 272 frigates; and altogether 1000 vessels bearing the royal flag. France, in that year, had 113 ships of the line and 72 frigates. In 1820, England had 146 ships of the line in commission and 164 frigates; France had 58 ships of the line and 39 frigates. In 1840, England had 84 ships of the line and 180 frigates; and France, 44 ships of the line and 59 frigates. In 1850, England had 86 ships of the line and 104 frigates; France had 95 ships of the line and 56 frigates. In 1858, England had 29 ships of the line and 87 frigates; and France 29 ships of the line and 76 frigates. At the end of this year, 1859, England will have 36 ships of the line and 40 frigates; and France 40 ships of the line besides as many frigates. (Hear, hear.) Now, gentlemen, here is a picture! Here is a nation adding a half to its population, increasing in wealth and industry to such a degree, and you see how it has let its navy go down, till the French have got a greater navy than we have; so that we have no Channel Fleet to protect our shores against an army of 600,000 men, at the disposal of the French Emperor. This is one proof that there is something wrong. I will give you another proof. Is this diminution of our navy explained by an increase in our army? Are we turning our blue jackets into red coats? Let us examine the returns moved for by Mr. Sidney Herbert. I need not tell you that when we were at war with France, we had 300,000 men in the regular army and militia, and about a million men in arms altogether. How stand matters now? In 1828 we had on home service 53,934 soldiers, and 25,559 in India. In 1836 we had 43,432 on home service, and 19,720 in India. In 1846 there were 56,286 on home service, and 29,382 in India. In 1856 there were 64,541 on home service, and 29,629 in India. Twenty-nine thousand soldiers in India to keep down 180,000,000 Asiatics, and to combat 120,000 Sepoys, whom we knew were ready to revolt! Sixty-four thousand soldiers in England, and Napoleon with an army of 640,000 men, and no Channel Fleet between us! (Hear, hear.) Lord Hardinge told me that when he came to the head of the army in 1852, after providing for the seaport towns requiring to be garrisoned, in order that they might not be destroyed, he could not have brought together an army of 10,000 men to defend London; and only 40 guns, which had not been repaired since the battle of Waterloo, and most of which, he said, if put in a clay field, would have gone to pieces. (Laughter.) All this took place in defiance of the strongest remonstrances from the Duke of Wellington; and when the illustrious warrior sunk into the grave, a melancholy proof was afforded of the truth of his complaints, for seventeen guns could not be got in London to fire a salute over his grave, the customary honour to a Field Marshal! You see, then, that this great nation, with its 27 millions of inhabitants, 9 millions of tonnage, 187 millions of imports, and 125 millions of exports, has sunk down, in that period of time, to the rank of Bavaria as a military, and Denmark as a naval power. Is this to be explained, then, by our having paid off our national debt? Let us see. After the battle of Waterloo the national debt was £816,000,000. It is now £803,000,000, and, what is most extraordinary of all, the national debt was £5,000,000 larger when the Crimean war began than it was in 1832, when the Reform Bill was passed. Is there not something wrong here? I will now turn to another thing, which is still more important—to the indications of national prosperity, the marks of national happiness, the evidences of social well-being, particularly among the working classes. In judging of these, there are, as you will all admit, three great tests; and if these point the wrong way, we may

be perfectly sure that the community is suffering. These are the amount of pauperism, the extent of emigration, and the amount of crime. Well, in 1846, the number of paupers relieved in England was 1,332,000, of whom 382,417 were able-bodied—for able-bodied men in England are entitled to relief when out of employment, which, I am sorry to say, is not the case here. (Cheers.) In 1847 the number was 1,721,350, of whom 562,355 were able-bodied. In 1848 the number was 1,626,200, of whom 666,338 were able-bodied. (Hear, hear.) And in that same year there were 2,000,000 paupers in Ireland; and the whole number of persons relieved by public funds in that year in the two islands was 4,000,000. We know that there has been great relief by the mines of California and Australia, by the vast emigration to other parts, and by the Crimean and Indian wars. Yet, notwithstanding all this, in 1854, there were 1,000,576 paupers relieved in Great Britain; in 1855, there were 1,017,417; and, in 1856, there were 1,030,737. I ask you whether that should be the condition of a country which has made such unexampled advances in wealth? Let us now turn to the statistics of emigration. In 1821, there were 13,349 emigrants who left our shores; in 1831, there were 83,160; in 1841, there were 118,192; in 1851, there were 335,966; and in 1852, the number had reached the enormous amount of 368,800. During the last twelve years, 2,752,000 subjects of Great Britain and Ireland have emigrated—a much greater number than the natural increase of the population. For the first time, for four centuries, the growth of the people of Great Britain has stopped! Then turn to crime. In 1821, there were 5337 commitments by a jury; in 1831, there were 13,115; in 1841, there were 19,647; in 1851, there were 27,960; and, in 1852, there were 26,780. So that while the population has not doubled in these years crime has increased more than fivefold. And you will be surprised to hear that the total number of persons in Great Britain and Ireland committed for crime in the three years of unexampled prosperity, ending in 1856, has been as follows:—In 1854, 135,472; in 1855, 151,494; in 1856, 147,758. And to give you an idea of what these numbers amount to, I will just say that they are as many as the men of both armies who fought at Waterloo. Here is a state of things which I do not think was ever exhibited before in the history of the world. Here is a country which has made the most extraordinary advances in industry, wealth, and population, in which, at the same time, there is the most rapid and deplorable prostration of the national strength, descending in real strength from a first-rate to a third-rate power, and emigration come to such a pass that it has exceeded the natural increase of the population—criminals increasing four times as fast as the population, and the paupers, in a year of great suffering, actually amounting to a seventh part of the whole population. I am quite sure that the facts now mentioned, which are all taken from Parliamentary reports, are facts that really require serious attention. Surely, when there are such extraordinary results, I am within bounds when I say that there is something rotten in the state of Denmark. (Applause.) I am now to tell you what I conceive to be cause of all this, and I will conclude by telling you the remedy. The principal cause of all this I conceive to be the erroneous state of the currency. When I say that such vast results are to be ascribed to the state of the currency, I am aware that I am making a strong statement, for I am to give from an obscure cause an explanation of facts that appear to be inexplicable. But I think when you look back with me to the experience of other countries you will not be surprised at the statement I have now made. From the earliest times the state of the currency has exercised a most powerful effect on national prosperity. Perhaps it is not known to you what was first pointed out by Lord Melbourne, who was an accomplished classical scholar as well as a statesman, that the contest between Rome and Carthage was less deter-



mined by the skill and prowess of Scipio and Hannibal than by the paper currency issued by the Romans during the Punic war, which was issued during the contest, not to be paid until the conclusion of peace. The Romans thus did, two centuries before the Christian era, what Pitt did in 1797, and it was this which carried the Roman Republic through its contest with Carthage. (Applause.) The Roman empire was saved by the wise adoption of that principle; and I will tell you what the Roman empire was ruined by. They had not that wonderful discovery of paper money, which has been the source of prosperity, and the abuse of which has done so much mischief in modern Europe. All their currency was in gold and silver. The mines failed during the reign of the Emperors, and did not produce one-fifth part of the former amount. Accordingly the prices of everything fell, debts assumed an overwhelming magnitude, the nation was unable to support armies to keep off the barbarians, the currency was contracted so as no longer to be adequate to the wants of the country, and therefore Rome perished. Then what was it that gave the great impulse to the trade and industry of Europe in the 16th century? It was the discovery of America, and the importation of the precious metals from Mexico and Peru, to such an extent that fifty years after, the prices of every article rose to four times their former amount, and a vast impulse was given to industry. The wages of labour, the price of industry rose at the same time, and debts were rendered so easy as to amount comparatively to nothing. The United States of America were saved during the war with England by the issue of a currency bearing a forced circulation. The greatest republic of modern, like the greatest of ancient days, owed its existence in the last extremity to the same sovereign remedy. Then, come to our own times, to 1792, when, as you all know, the French issued a paper currency, having a forced circulation. It was that that fitted out the immense armies that enabled France to conquer all the monarchs of Continental Europe. England followed the example. In 1797, Pitt passed an act suspending cash payments by the Bank of England, and it was that increase of currency which enabled us to carry on the war with France, and brought us through that terrible struggle. Our allies followed the example, and in 1813 they issued paper currency guaranteed by the sovereigns of Russia, Prussia, Austria, and Great Britain; and that bought all the stores for the armies, paid all the troops, and passed without objection, and without the least depreciation, from Kamschatka to the Seine. So powerful is a paper currency, when issued in a wise way, that the little country of Hungary, when engaged in a contest with the power of Austria, issued a paper currency of 14 millions sterling, which enabled them to maintain the armies that maintained an equal contest with Austria, and, but for Russian intervention, would have rendered Hungary independent. (Cheers.) Thus you see how many nations have been saved from ruin by a paper currency, and to many empires it has given the fruits of conquest. But there are dangers equally great on the other side; a paper currency is to nations the elixir of life; but, taken in undue quantities, an elixir will destroy as well as save. France furnishes one remarkable example of that. I have told you that France issued bank notes with a forced circulation, which every one was forced to take. They were transported if they did not take them. The necessities and prodigality of France were such that whereas when they began this system, their currency was about £60,000,000, they issued paper after paper till it reached the enormous amount of £750,000,000 sterling. You may easily conceive what effect that had on the state of the country. It altered prices so much, that at a later period of time, it was common to say that a breakfast for six persons cost one Louis D'Or, or 28,000 francs in paper, which was the same as to say a pound in gold, or 1200 in bank notes. The result was utter confusion in regard

to the value of property, and debtors who could only lay hold of a few guineas, by theft or otherwise, were able to discharge debt to an indefinite amount. The consequence was the subsequent misfortunes of France, her inability to raise up a free Government, and her present subjection under a despotism as powerful as that of Louis XIV. In Great Britain the effects were not so disastrous, but effects nevertheless did take place which we still labour under, and which I will show you are the main cause of the extraordinary contradiction between the two sets of facts I have laid before you. The circulation of Bank of England notes rose from £11,000,000 at the beginning of the war, to £45,000,000 at the close of the war. All the other banks increased their circulation in the same proportion, and in 1815 the circulation was £60,000,000. That was a much greater quantity than was required for the circulation of the country at that time, and nearly double what the country has now. And what was the effect of that? Prices of everything immediately rose. I will explain shortly how it is that a plentiful currency raises prices; but in the meantime I say that in the year 1815 and preceding years, prices had undergone such a change that the national debt was raised to £800,000,000, being at least £300,000,000 more than it would have been if the currency had not been so much expanded under the pressure of necessity. Had it not been for the change in the prices of everything, the nation would not have needed to borrow more than £300,000,000 subsequent to 1797. But the money was borrowed at a time when we were obliged to borrow 500 instead of 300, in consequence of the change in the value of money. Private debtors borrowed in the same way, and so £500,000,000 of private debt were borrowed in England which would not have been borrowed had prices remained as they were. Rents were tripled in value, and all other articles in proportion, and the parties borrowed in the expectation that they would not fall. But it may be said that if everything increased alike in value there would be more money to pay for everything, and we would just be where we were. But alas! we have contracted our currency since 1819, and so, while, during the war, we borrowed 60 per cent. more than we would have done under a contracted currency, we have now, by contracting the currency, contracted the resources of the people that have to pay for it, and that in a still greater proportion. The notes in circulation in the whole empire in 1814 were £59,000,000; in 1818, £58,325,000; in 1823, only £36,283,000; in 1847, £37,300,000; in 1849, only £33,130,000! The average paper under discount of the Bank of England was in 1810, £20,070,000; in 1823, £3,853,000; in 1840, £7,280,000; in 1847, £20,710,000; in Nov., 1849, only £9,810,000; in Oct., 1855, £19,240,000! What have been the effects upon capital, and industry, and wages of these astonishing fluctuations in the supply of money? The result has been a constant fall of prices from 1819 to 1851, attended with vast profit to the monied, and utter ruin to the working classes. The consequence is that the riches of the country accumulate in the hands of the money lenders, the currency laws having made a man with £100,000 worth £200,000. That is the reason why the nation is not able to make her armies adequate to her strength; the whole wealth of the country has run into the hands of the monied class, and the whole burden of that wealth has fallen upon the working classes. (Cheers.) Now I must, in order to let you fully understand this point, request your close attention to what I am now going to say. I am now going to touch upon a point which has been, as mathematicians would say, the asses' bridge to the whole community. Most people never have been able to get over it: and ninety-nine people out of every hundred to whom this proposition is stated turn away, and say they don't understand it. And yet it is a point upon which their own fortunes depend. The proposition that I have to state to you is very simple. It lies at the foundation of the whole question of



the currency; and if you once get hold of this proposition, and master it, the whole thing will follow as a matter of course, and you will at once be able to understand how all the effects I have mentioned have come to pass. You know that everything that is plentiful becomes cheap. If bread is plentiful it becomes cheap; if oatmeal is plentiful it becomes cheap; if beef is plentiful it becomes cheap. There is no division of opinion as to that. But, then, there comes the next thing: money is an article of commerce, as well as bread, oatmeal, or beef. If money is plentiful, money becomes cheap; for the same reason that if beef is plentiful beef becomes cheap. But, observe the effect of money becoming cheap; it is, that everything else as measured in money becomes dear. For example, if the price of a boll of oatmeal is 20s., and if the shillings in the country are increased in number one-half, then the man with the oatmeal says to you, "Oh, money is plentiful just now; I won't let you have my oatmeal for 20s. now; you must give me 30s." And, then, you have got so much money that you are quite willing to pay the 30s. In short, the effect of what I have stated is that prices inevitably rise as soon as money—that is, the currency—becomes plentiful. When money is withdrawn, when the currency is contracted, when the gold goes away, the prices fall. If the money is taken away, then it becomes more valuable. And what is the meaning of the money becoming more valuable? It is just this, that an article will be got for a less amount of money—that is, prices fall, and with them the wages of labour come down. Therefore, just fix these two principles in your minds, and you will at once see the key to all the extraordinary effects I have mentioned;—that the increase of the currency, whether in gold or in paper, raises prices, and the contraction or withdrawal of the currency, whether in gold or in paper, lowers prices. Attend to the effect of that, and you will perceive how it is that the currency is such a vital thing to profits, to trade, and to the wages of labour. By increasing the currency, speculation immediately rises, great profits are made, wages are increased, universal prosperity prevails. Take away the currency, withdraw the gold, and the silver, and the notes, and everything falls in price—down comes the profit; everybody that has commodities finds that every day they get cheaper. The grazier finds no market for his cattle, the farmer can get no profit by his grain, and the manufacturer cannot get his goods sold. In short, the contraction of the currency leads all classes to misery; the increase of the currency makes all classes prosperous. But it won't go on for ever. If you increase the currency too much, after the manner of the French with their assignats, the whole good will be destroyed; but if you wisely do it in moderation, an increase of the currency necessarily makes people happy, while a contraction of the currency necessarily makes them miserable. (Applause.) I have told you of the state of matters in 1797, when the paper acquired a forced circulation, which in 1815 had risen to 47 millions and a half. In 1819, cash payments were reverted to. It was then settled that the Bank of England were to be allowed to issue 14 millions sterling of notes upon securities, and the private banks about 12 millions more on the same basis. These were issued in paper, without their being required to retain gold for the amount. But still, under this system, the currency was rendered perfectly dependent upon gold, because there was only a limited amount of securities on paper, and that limited amount was not one-third of the circulation required. Well, in 1823 a relaxation took place, and the Bank of England notes were declared a legal tender at every place save at the Bank of England. In 1826, small notes were abolished in England, which was a most fatal step, for the whole small circulation was turned into gold, and in 1844 the present Currency Act was passed. The Currency Act of 1844, which was applied to Scotland by the Act of 1845, was to this effect:—It declared



that the Bank of England was to be obliged to receive all the gold that was brought to its door from any part of the world; and that for every note issued above £14,000,000, they must have five sovereigns in their coffers, which they were forced to retain in the issue department. The intention of the Act was to make the Bank of England the great emporium of the gold throughout the world. It fixed £3 17s. 10½d. as the price of the ounce of gold, at which it had to take all the gold which was brought to it. At the same time the other banks in the empire had a certain amount of notes given them that they might issue without having sovereigns for them. That was the immediate change made by the Act of 1844, and you know what has been the state of the country since that time. It has been this, that the currency may be said to be almost entirely dependent upon the retention of gold, because the Bank of England is obliged by the Act to retain as much gold in their coffers, and not to issue it to the public, as they have notes out; and in general the Bank of England has about two millions of notes out. They must have seven or eight millions in their coffers which they are not allowed to issue in whatever extremity. The consequence of that is this, that the Bank of England are under the necessity of contracting their issue whenever the gold in their coffers approaches even the low level of seven or eight millions. And why are they obliged to do that? Because, whenever they find their gold going down, they know they are coming to the limit—they know there will be a great demand upon them by the country banks, and if they go below eight millions they are bankrupts, because they cannot go below that. In order, therefore, to prevent that calamity, they are obliged to take measures of precaution; and hence they put on the screw the moment they see the gold descending, and when other banks see that, they put on the screw also from the pressure of the same necessity. I will now run over the different crises, and show you how it is that all the crises may be at once explained, and may be referred to the erroneous currency system which prevails. There was first of all the crisis of 1818, which immediately followed the resumption of cash payments by the Act of that year, and I crave your attention to the immediate effect which that had on the exports and imports of the country. In 1818, before the Act passed, the exports of the country were £45,000,000, and the imports £35,800,000. In 1819, the year after the bill passed, the exports were £34,252,000, and the imports £29,000,000; so that both the exports and imports fell off £10,000,000 the moment the bill passed. Now, what was the reason of that? Mr. Wallace, President of the Board of Trade, said in the House of Commons (and these are his own words), that “such was the state of the country, that it bore all the symptoms of a dying nation.” (Hear, hear.) In 1823, as I have said, the Bank of England notes were declared legal tenders, except at the Bank of England itself, and that was an immense relief. There was a great increase of the paper issue, but soon after that there came a great drain, in consequence of the South American speculations. The South American mines were opened at that time, and there was no end of speculation then, in consequence of which there were twelve millions of sovereigns drawn out of England to carry on these South American speculations. The result of this drain was that the Bank of England were almost obliged to apply to Government for a suspension of cash payments, when some clerk bethought him that there was a box of old notes in the bank. These notes, to the amount of two millions, were issued, and saved the country from bankruptcy. (Applause.) Well, gentlemen, things went on, and the Americans must have a crusade against the notes too. In 1835 and 1836 they had an immense number of banks, which had spread an amount of prosperity throughout the Union, altogether unparalleled in the history of the world—greater even than any progress made by Britain in the same time. One-

third of the whole number of notes issued were represented in gold. But they must needs make a crusade against the banks. It was not a crusade for money, but a political measure. The seaboard had become too strong for the small freeholders in the back provinces, and the cry was, not as in France, "Down with the aristocracy!" but it was, "Down with the banks!" Under the influence of this pressure, President Jackson and the Congress passed a bill to this effect, that no payment of taxes should be received except in gold; and secondly, that no payment of the public landhold should be received except in gold—in short, they were determined to revert to a metallic currency. What was the effect of that upon America and upon England? The effect upon America was, that there was such an overturning of everything that no less than nine-tenth of the whole commercial wealth of the country was destroyed; and the imports into America from this country, which, in 1836, had been twelve millions, sank down, in 1837, to four millions. The effect of this was an immense drain of gold from England to America to meet this crash—the amount sent being about nine or ten millions. The consequence of that in England was that the gold in the Bank of England was brought down in 1839 to two millions two hundred and twenty-five thousand pounds. Now, what was the effect of that? We were saved from bankruptcy only by a loan of two millions from the Bank of France. The consequence was a long period of lassitude, and a great amount of suffering, which continued for about four years—the longest period of suffering that ever was experienced. Things, however, got better, and considerable relief was experienced by the railway expenditure in 1845-46. In 1846 the free-trade system in the importing of grain was introduced; and the great object I have in view is to show you that that change in our system, in regard to grain, must be followed in regard to a change in our currency, if we are to avoid the continual recurrence, every one or two years, of the disasters that occurred in 1848. (Cheers.) In 1846, the Irish famine occurred. That caused a great importation of grain, amounting to 10,000,000 quarters; before that, no more than 2,500,000 had ever been imported in any year. This grain went far to abate the suffering, but it was almost all paid in gold and silver. It was stated in the House of Commons that there were £33,000,000 stg. paid for foreign grain at that time. I will show you what was the effect of that upon the country. In 1847 the exports were £58,800,000, and the imports £90,921,000; in 1848 the exports were £52,800,000, and the imports £93,547,000; in 1849 the exports were £63,500,000, and the imports £105,000,000. Now, gentlemen, attend to what is the effect of this great balance of imports over exports; that is the vital thing you have to consider. Recollect, I am not complaining of free trade. I take free trade as the settled, fixed policy of the country. I argue upon it as such; and what I say is this, that you must make your currency laws similar in a certain degree to your corn laws, or the country will be ruined. (Cheers.) In 1849 there was a balance of 40 millions of imports over exports. The paupers of that year numbered 1,731,000, and the emigrants were 280,000. You see how close, how immediate have been the bad effects of this great drain of the precious metals. I will now give you the counterpart of all this, which is, if possible, still more illustrative of my argument. I need not tell you what was the effect of the gold discoveries in 1852. I will merely mention that, in consequence of these discoveries, the annual produce of gold over the whole world, and for the use of all its inhabitants, was increased from 8 or 9 millions to 36 millions. The gold came in in such quantities that the paper was issued in similar quantities, and that is the history of the prosperity of these times. I will tell you what the state of the currency was brought to by this great change. In 1846 the gold and silver in the country amounted to 39 millions, in 1856 they amounted



to 69 millions ; the total currency in metals and paper in 1846 was 79 millions, in 1856 it was 109 millions. So you see there was an increase in the currency of thirty millions in consequence of the gold discoveries. Here is the history of the resurrection of England in the Crimean war, and in the suppression of the Indian war—30 millions of gold were added to the currency by the good providence of God, who opened these huge banks of issue in California and Australia. And what was the effect of that? Why, it was that prosperity again was spread over the land, not by the wisdom of men, but by the blessing of God. (Cheers.) That was the occasion of the immense exports and imports of those years which I have already read to you. It was that which enabled us at once to raise our taxation from 55 millions, which it was before, to 75 millions, just in the same proportion as the currency was increased, and without the slightest oppression being felt by the people. It was that which enabled us to fit out an army which put a stop to Russian ambition on the shores of the Crimea. It was that which enabled us to increase our Indian army from 29,000—that small dribble which it was in 1851—to the magnificent army of 100,000 men, who now assert the power of England on the shores of the Ganges. (Loud cheers.) It was the good providence of God that gave us that strength because it gave us the money, which all the foolishness of men had not been able to take away. The very effect, however, of this great prosperity that was poured upon the country, in consequence of the gold discoveries, was to open up another and an equally formidable source of evil; and that is the cause that produced the crisis of 1857. I will tell you what that source of evil is. The effect of the present currency laws making the currency of the country entirely dependent upon the retention of gold is, that the moment the gold begins to leave the country credit is shaken and everything comes down. Now, on the other hand, when gold is plentiful, prosperity flows in, there is a great increase of profit, a great rise of wages, and a great increase of consumption—consumption by the working classes above all. And that was what took place in 1845 and '46 during the railway mania, when the importations increased to an enormous degree. I will show you how true this is. In 1846 the imports were 75,900,000; the three following years they were respectively 90, 93, and 105 millions. The same effect took place to a still greater degree during the four years of prosperity from 1852 to 1857, when, as already stated, the balance of imports over exports became so prodigious that it amounted to £55,406,000 in 1854; to £47,972,250 in 1855; to £56,764,000 in 1856; and to the enormous sum of £65,000,000 in 1857. Now, consider what is the effect of a great excess of importations over exportations. Why, the balance must be paid in gold and silver; and that is the fatal circumstance in our present condition to which I wish to draw your attention. Under the present law, two or three years of prosperity are inevitably followed by disaster, and the reason of that is that the prosperity raises the wages of labour, increases the consumption, and thereby increases the importations to an immense degree. During the last three years, the balance of importations, from forty to sixty-five millions a-year, had to be paid in cash. I do not say there is any loss in sending money out of the country and getting in grain; but what I complain of is this, that you establish a system of currency which makes the credit of every bank, the credit of every merchant, the wages of every labourer, the profit of every shop-keeper in the country dependent on the retention of gold by the Bank of England—(hear, hear)—and at the same time you establish a system which makes that retention perfectly impossible. (Cheers.) I have shown you what the balance is, and I will now tell you how it happens that the balance in an old country like this will always be against the rich. The reason is this: the rich country brings to the market a far

greater demand for consumption and a far greater power to purchase than the poor country. For example, we deal with Russia to an immense extent. We import four or five millions of quarters of grain from the south of Russia or Poland. Our imports from Russia are eight millions; our exports to Russia are 1,500,000. Why is that? Because Russia is a poor country, and is not able to buy our manufactures, while England is a rich country, and able to buy its grain to an indefinite extent. Look at India. Colonel Sykes, the late Chairman of the East India Company, told us lately in the House of Commons, that last year our exports to India were 12 millions, and our imports from India were 23 millions, the 11 millions of balance being paid in cash. Now what is the reason that they will not take our produce, while they take our gold to any extent? The reason is this:—In India, we have 181 millions of subjects, and they have only £370,000 paper currency among them. The paper does not go beyond Bombay, Calcutta, and other great towns; the rest of the population have no currency at all, except gold and silver, and from the unsettled state of the country, the tyranny to which they are subjected, and to constant wars, the great wealth of the country is turned into gold and silver ornaments for the persons of the people. There is the history of the absorption of the precious metals in India, and that shows you the great importance of attending to the currency now that we have entered into a closer connection with that country. By uniting with India we have got 100 millions added to the national debt, and in addition to that we have got a province to our empire which will annually absorb from twenty to thirty millions of our gold and silver. Therefore, India must be a perpetual drain upon our monetary sources, and what I want you to consider is this—if our present currency laws continue, and we have a constant excess of imports over exports, occasioning an annual drain of from 40 to 50 or 60 millions, how is that state of things to be reconciled with the currency laws, which say, the moment the gold and silver go out of the country, up go discounts, and the merchants must pay 10 per cent. upon the money they get, and they are very lucky if they can get it on these terms? For 100 years before the passing of the Act of 1844, there had been no change on the rate of discount. It had always been 5 per cent. except a few months in 1839, when it was 6 per cent. Since 1844 the rate of interest has been changed fifty times in the Bank of England, and it has varied from 2 to 10 per cent. a year. This variation has been the ruin of many commercial houses of the first credit and respectability, and a most serious impediment to all engaged in large undertakings. I remember asking the head of a great mercantile firm, who had failed in 1857, to what he ascribed his failure, and he replied to the rise in the discounts, which he said made a difference of £40,000 a-year to him; and in our country how many masters and merchants are there to whom the rise in discount from 2 or 3 to 8 or 10 per cent. would make a difference of £15,000 or £20,000! Under the system of Sir Robert Peel in 1844, the Bank of England must raise their discount when the gold goes down, because if they do not they will become bankrupt. But in doing so, they only shift the burden off their own shoulders, and place it on the shoulders of trading and manufacturing men. (Loud applause.) Now, here I will make one remark. We have been told that all the evils are the result of undue speculation and the abuse of credit. But I go a step farther, and ask what is the abuse of credit owing to? Why, it is owing to this, that the banks are forced, when gold is plentiful, to reduce discounts to a great extent, and thus inflame speculation. When the Bank of England lowers their discounts the Scotch and Irish banks do the same, and the country is thus flooded with credit, and speculation is encouraged. There was a banking establishment in this city, of which much has been said. We have heard enough from the London journals of the ignorance and



recklessness with which that bank was carried on. I know nothing about the matter. I am neither a friend to the Western Bank, nor an enemy; but I think that they were most imprudent and reckless in their conduct. But this I will say, that the recklessness of the Western Bank, which created so much misery, was a recklessness forced upon them by the monetary laws of England. We never heard of such a thing, before the Currency Acts came into operation, and I am happy to say, for the honour of Scotland, that the old Scotch laws have enabled them, notwithstanding all that recklessness, to redeem their honour, for they have paid their debts in full. (Cheers.) There are many people who will tell you that all the evils that I have described are owing to the weight of the debt and the taxation. But that it is not so I will prove to you. The country never was so prosperous as it was from 1810 to 1815, and at that time we maintained 1,000,000 armed men, and raised by taxation 76 millions. You remember the great prosperity from 1852 to 1856. Well, the sums raised by taxation during these years were from 72 to 76 millions annually. Therefore, you see the evils I alluded to are not the result of debt and taxation, for when currency is sufficiently plentiful, we can pay the debt and taxation perfectly well. I would not have dwelt so long upon the distress which has occurred, if I did not think it possible to find a remedy for it. I think it is perfectly remediable, and though I will not venture to state positively what that remedy ought to be, I think I can suggest the principle upon which it ought to be based. (Applause.) By the present currency law speculations are inflamed, and undertakings of the greatest magnitude are set on foot as they were in 1846, 1855, and 1856, and just when they are approaching their completion, and when the greatest possible advances are required to carry them on, then is the time that the imports exceed the exports, and the discounts are raised. The way of remedying this is as follows:—The principle of Sir Robert Peel is this, the more gold in the country the more notes. Well, what is the effect of that? The country continues in prosperity when currency is plentiful. But speculation of the wildest kind is set on foot, wages rise, profits are great for a time, consumption rapidly increases, the imports come to exhibit a huge excess over the exports, and the gold is withdrawn. Sir Robert Peel then says, diminish the notes in order to bring back the gold. The discounts are raised to 10 per cent. or altogether refused, and general ruin ensues. How would a similar conduct do in other similar cases? Suppose the case of an army when the supply of beef ceases. Sir Robert Peel says, "if the beef is taken away, take away the bread also, and then they will be all right." (Cheers and laughter.) But I say, if the beef is taken away, issue more bread. (Cheers.) If the gold is taken away Sir Robert Peel would take away the notes also, and leave the country without a penny to pay its debts. Now, my principle is that, when the gold is taken away, issue more notes, and then we will be able to get over the crisis. (Loud applause.) Between the years 1810 and 1815 there was not a guinea sent into the country, nevertheless there was no monetary crisis at all. Why? Because there were plenty of notes issued. The monetary crisis has only been a creation of modern times, since 1819, when the fatal system of paper currency was established. A very curious fact is that, in 1848, when there was a dreadful monetary crisis, the stock held in the Bank of France, which had formerly been 10 or 12 millions, suddenly fell to £2,800,000. What did the Bank do? They issued 18 millions sterling of notes, bearing a forced circulation. They did not issue 750 millions, as they did of assignats, but they issued a reasonable amount, which never became excessive or was depreciated, and the consequence was that the credit was immediately restored, and 120,000 men, who had been thrown out of employment, were re-engaged, and before the end of next year the gold and silver all came back, and



the Bank were able to resume cash payments. (Cheers.) Now, the principle that I say should be adopted is this:—In the first place, I would increase the sum that the Bank of England and the other banks issue without having gold by 50 per cent. In 1819, Sir Robert Peel thought that 14 millions issued without gold was a proper thing for the country at that time. The country had then 19 millions of inhabitants; it has now 28 millions. At that time the country had 40 millions of exports; it now has 120 millions. At that time it had 45 millions of imports; it now has 185 millions. Considering the increase in these things, it is only fair that the issue of notes without gold should be increased to 21 millions; and as to other banks, they should be called on to deposit securities with the Bank of England for the amount of their issue. The notes would thus, in the event of a crash, be perfectly secure. (Loud applause.) In addition to that, there is another thing which I think should be done in order to prevent that terrible drain of gold which is now of such frequent occurrence. Suppose we fix £15,000,000 sterling as the amount of gold that should be in the Bank of England to meet the probable wants of the country, I would have a regulation by which, whenever the gold should get below that amount, the inconvertible notes should be increased by the amount of the deficit. Then, when the gold comes back—which it certainly will do in six months—these notes may be called in, and not issued until required again. (Applause.) I leave it to the bankers and other practical men to arrange as to how this should be carried out; but that is the principle on which the Currency Laws ought to be based. (Hear, hear.) There is only one other subject on which I wish to say a few words—the unhappy matter of strikes among working men. I understand perfectly and appreciate strongly the cause of these strikes. I feel the evil of what the men complain of, and I am not at all surprised that they take this mode of remedying it. What I wish to impress upon you is, that of all mistakes that ever were committed by working men, the most fatal is that of striking. (Loud applause.) I know perfectly well that in many cases strikes are successful. When the produce of labour is rising in the market, the working men are entitled to say that they ought to share in the common benefit that is going on. (Applause.) But the great error they commit is this, that they think, by the same means, that they can prevent their wages falling in periods of adversity, and all the great strikes which have produced such devastations in society have arisen from this cause. When the price of produce falls, as it has done now, the master is of necessity obliged to lower wages; if he did not do that, he would become bankrupt in the space of three or four months. Nevertheless, the master will retain his workmen as long as he can, because he loses so much by their going away. He will never stand out against a strike in the face of a falling market unless he is compelled to do so. If you strike when he could not pay you the wages you demand but at a loss, you strike not in your interest but in his. He is too happy to be rid of you in such circumstances. Nevertheless, he will not hold out unless forced to do so. It is the same evil to a master if his workmen go away as it is to a general if his army be disbanded. New hands are never half so good as old ones. (Cheers.) The old hands, therefore, will depend upon it that if the master reduces their payment he does it from actual necessity; and the reason of that is, that the changes of the currency produce a fatal change in the price of his goods. Now, only consider what is the effect of these great strikes on the interests of the working classes. Why, the colliers' strike of 1842, in this county alone, did not cost less than £500,000. The strike of 1857, which was the consequence of the monetary crisis of the year before, cost in the counties of Lanark, Ayr, and Stirling, no less than £700,000, all of which fell upon the working classes. In these

strikes you combine to do a thing which is impossible, and in the attempt to do which you are yourselves subjected to the severest privations. Therefore, what I recommend is, not to combine against your master, who is the victim merely of the currency laws, but to combine against the laws which create these great changes in the currency—(applause)—and you will carry with you the whole of society. There is no man of any sense in the country who won't join with you in the effort to make such a change in the currency laws as will prevent these fatal changes in prices, and with them wages and profits. (Hear, hear.) I will conclude by making one observation, and it is this, I will give you an idea of the enormous extent of the loss inflicted on the country by these monetary crises to which I have alluded. There have been four great monetary crises in our own recollections—those of 1825, 1838, 1847, and 1857. Not one of these crises has occurred without causing a loss of no less than 100 millions on the country—the last much more; the bankruptcies in 1857 alone were £45,000,000. The monetary crises which have occurred since the passing of the bill of 1819 have inflicted upon the community a loss of not less than 500 millions sterling. To do away with the probability of such loss occurring again is an object worth striving for. (Applause.) The present system is, that holders of money issue money to all persons engaged in speculations, however absurd, and, when the money comes to be paid, up goes the discount. There is ruin spread over the country to an extent which would be inconceivable to those who have not witnessed it. Sir Archibald concluded his lecture by remarking that if he had made some effect on the many intelligent persons before him, and through them on the country, and that thus a change of the laws which produced so much disaster might be effected, his lecture of that evening—the epitome of the labours of a whole life—would not have been given in vain. (Great cheering.)

Mr. ADAM MITCHELL, President of the Council of United Trades,—Mr. Chairman and Gentlemen, in rising on behalf of the United Trades to propose a vote of thanks to the learned Sheriff for the able, interesting, and instructive lecture, it may by many be thought presumptuous in us, the working classes, to take up such an important question—a question that few are able to grapple with—but I think the present meeting is a good indication that we are willing to be taught, and that we are glad the able historian is willing to teach us on this most important subject. It has been said that if a man wishes to know the value of money he has only to try and borrow some; but I think the surest way we may find out the real value is to work for it, as all of us have to do, by the sweat of our brow. I therefore move for a hearty vote of thanks to the hon. baronet, and hope by your response you will prove how you appreciate his kindness. (Long and continued cheering.)

Mr. LITTLE proposed a vote of thanks to Sir John Maxwell, who, on account of his health, had to retire a little before ten o'clock, which was warmly responded to, and Sheriff Strathern presided during the latter part of the proceedings.

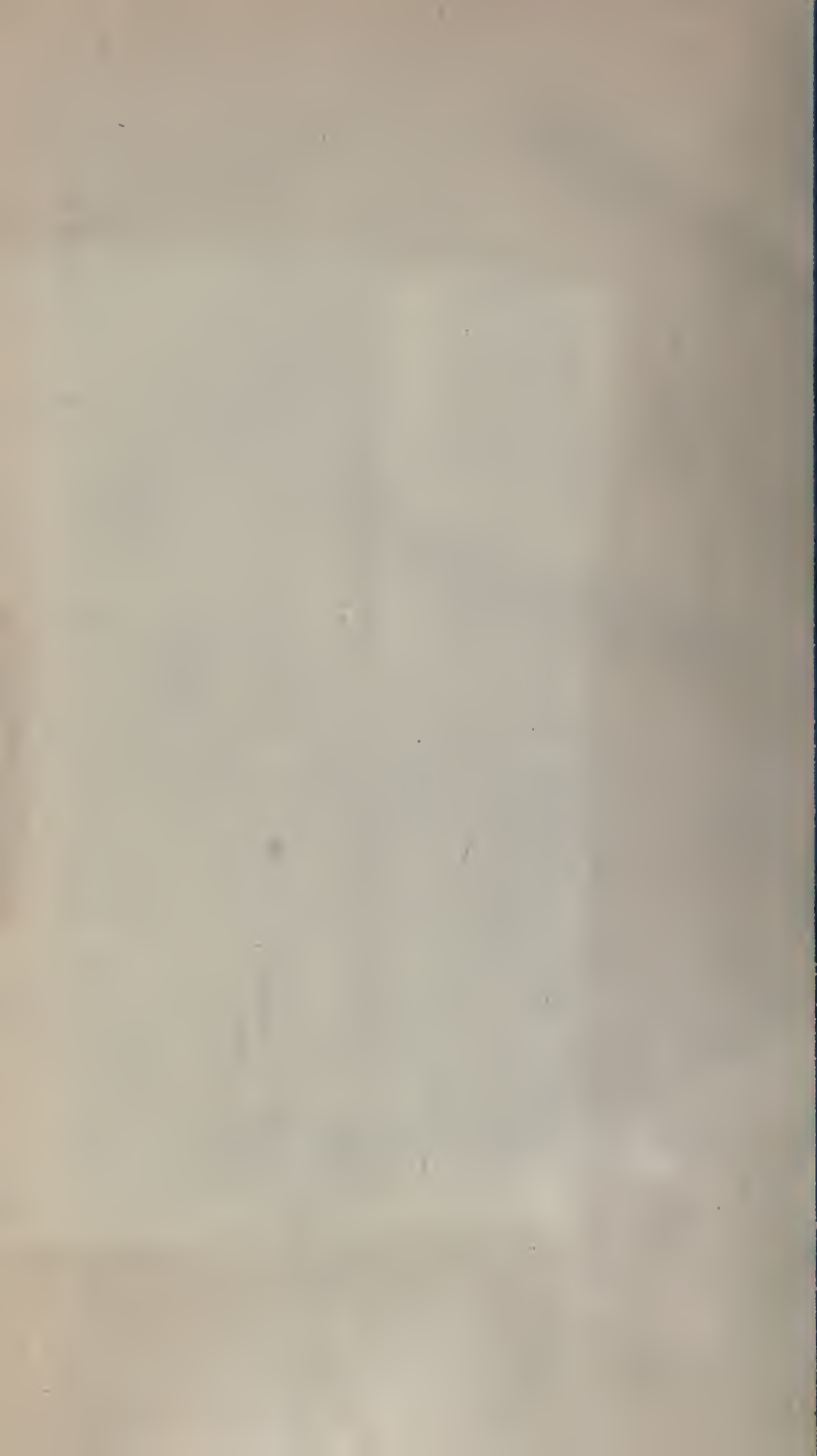
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